

Schedule of Audit Findings and Responses

Oroville School District No. 410 Okanogan County April 9, 2010

1. **The District's internal controls over Associated Student Body funds are inadequate to ensure compliance with state laws and regulations.**

Description of Condition

The District's Middle-High School Associated Student Body (ASB) collected approximately \$132,000 for fiscal years 2007-2009, generated primarily from fundraisers. ASB expenditures were approximately \$272,000 for the same period. Our audit reviewed internal controls over ASB expenditures, fundraisers and meeting minutes. Districts may use ASB funds for activities that are cultural, athletic, recreational or social in nature that are optional and non-curricular. The ASB Council must approve activities and those sponsoring the activities must maintain adequate documentation to support each event. The School Board must also approve all fundraisers. We noted multiple internal control issues, including:

Minutes

From September 1, 2006, through December 31, 2008, the ASB met monthly and from January 2009 through the end of the audit period, it met weekly. The District could not provide minutes for ASB meetings for approximately 32 of the 59 meetings during the audit period. The District also did not maintain sufficient documentation to allow us to determine whether meetings occurred.

The ASB minutes the District provided were not sufficient to allow us to determine if the ASB approved fundraisers through a formal motion procedure or approved prior meeting minutes.

Expenditures

State law requires ASB to approve expenditures prior to making them. The Oroville ASB is approving payments as its revolving account is replenished after payments are made. The District did not obtain the required student approval for ASB expenditures paid from the revolving account for 13 out of 19 payments (selected for examination), totaling \$4,237.

The ASB issues travel advances to coaches and advisors for student meals at athletic tournaments or other activities, which is not covered by District policy. We reviewed nine travel advances totaling \$4,352 and found the District did not have adequate support or reconciliations for seven. The District did not have any support for three payments totaling \$900, and the remaining four did not include original receipts. Missing receipts ranged from \$4 to \$211.

Fundraisers

District policy states those who put on ASB fundraisers are required to maintain documentation to show what was purchased, what was spent and what was collected. It also states the School Board and the ASB Council are responsible for monitoring and approving all fundraisers and that the Board is to receive a list of planned fundraisers during the budget process for approval. The Board must approve any fundraisers not on the list individually. The policy states the ASB is to approve fundraisers monthly.

The District had no documentation for fundraisers for 2007 and documentation for only four fundraisers for fiscal years 2008 and 2009. It does not maintain an event calendar or centrally track fundraisers to enable it to monitor events. The Board's budget files show it approved \$25,910 in fundraiser activity for the three-year period. The District could not provide documentation for \$10,438 collected. We reviewed the fundraisers and found:

- Meeting minutes did not show if the ASB approved the fundraisers.
- The District did not complete fundraiser intent and forecast forms (pre-authorization) for fundraisers.
- The reconciliation forms were incomplete because they did not include a gross profit analysis, documentation to evidence adult monitoring of cash receipting activities for each and did not include copies of invoices for purchases.
- Three reconciliations were not completed three months to two years after the event. In some instances, we could not determine the date the reconciliations were completed.

Unauthorized fundraisers

The District is required to operate all fundraisers through ASB. In November 2009, a local Department store told the District a District employee was cashing checks payable to the District. The District investigated and found the employee had ordered T-shirts from a separate vendor using an unauthorized District purchase order and sold them or gave them away.

The District determined that similar unauthorized fundraising activities had been going on for years outside of District or ASB controls. However, due to a lack of records, the District could not determine the extent of the activity or if there was a loss of funds.

Cause of Condition

The District has not allocated the necessary resources to establish adequate internal controls over ASB activities and to ensure all ASB activities are handled in accordance with the School Accounting Manual, the Revised Code of Washington or the Washington Association of School Business Officials ASB handbook.

Effect of Condition

The District cannot ensure ASB business is properly conducted and approved by the students. The District is unable to ensure all fundraiser revenues are properly authorized, reconciled and deposited. The District cannot ensure that all purchases were for legitimate purposes and approved by ASB.

Recommendation

We recommend the District improve internal controls over ASB activities to ensure compliance with state laws and regulations. These improvements should include:

- Retention of supporting documentation for all ASB activities and meetings.
- Ensuring proper ASB approval is obtained for all payments and fundraisers.
- Ensuring proper District approval is obtained for all fundraisers.
- Monitoring fundraising activities in the area to ensure all ASB fundraisers are approved and held within ASB's control.
- Establish a policy that governs travel advances.

Auditor's Remarks

We appreciate the steps the District is taking to resolve this issue. We will review the condition during our next audit.

Applicable Laws and Regulations

RCW 43.09.200 states:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class. The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived wherefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction

RCW 28A.400.030 (3) states in part:

The Superintendent shall . . . keep accurate and detailed accounts of all receipts and expenditures of school money.

RCW 28A.325.030 states in part:

All disbursements from the associated student body program fund or any imprest bank account established there under shall have the prior approval of the appropriate governing body representing the associated student body.

Accounting Manual for School Districts, Chapter 3, states in part:

Each school board is responsible for establishing and maintaining an effective system of internal controls throughout the district.

Washington Administrative Code (WAC) 392-138-045 states in part:

Associated student body moneys shall be accounted for as follows:

(1) Accounting methods and procedures shall comply with such rules and regulations and/or guidelines as are developed by the state auditor and the superintendent of public instruction and published in the *Accounting Manual for Schools*.

Washington Administrative Code (WAC) 392-138-013 (1) (b) states in part:

The Board of Directors of each school shall . . . approve the constitution and bylaws of each ASB.

Washington Administrative Code (WAC) 392-138-125 (3) states in part:

All disbursements from the ASB program fund or any imprest bank account . . . shall have the prior approval of the appropriate governing body representing the associated student body

Washington School Business Officials (WASBO) ASB Coordinators Handbook page 11 states:

6. It is the responsibility of each activity to maintain Activity records. These records provide Club history. Records must be maintained and are subject to review by the State Auditor's Office during the school district audit. Minutes are permanent records and should never be discarded. Store records in the school archives.

WASBO ASB Coordinators Handbook, page 31 states:

All motions must include exact wording regardless of whether the motion passes or not.